

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6066

BILL NUMBER: HB 1237

NOTE PREPARED: Jan 30, 2003

BILL AMENDED:

SUBJECT: Indemnification Clauses in Contracts.

FIRST AUTHOR: Rep. Torr

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill expands the prohibition against construction or design contracts indemnifying a promisee against liability to account for comparative fault.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill's impact on state contracting costs is expected to be minimal.

Background: This bill amends current law as it relates to construction and design contracts. Under the bill, contracts that contain provisions to shield a contractor against paying claims for *any* level of negligence that result in damages or is a design fault are void and unenforceable. This provision is in contrast to current law which voids only those contracts which purport to protect the contractor against *sole* negligence for damages and design faults.

Explanation of State Revenues:

Explanation of Local Expenditures: Any impact on local governmental entities' contracting costs is expected to be minimal.

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; Entities that contract for construction and design services.

Local Agencies Affected: Entities that contract for construction and design services.

Information Sources:

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